

Job Growth Accelerates in 1994

by John Boucher, Neal Fried, Kristen Tromble, Brigitta Windisch-Cole

Pushed by a retail boom, Alaska's economy grew for the seventh straight year in 1994. Wage and salary job growth accelerated from the 2.3% pace set in 1993 to 2.8% in 1994, despite oil industry layoffs and timber industry plant closures. This was the second straight year of faster job growth, reversing a trend that marked the early part of the decade.

While wage and salary employment grew faster in 1994, Alaska's unemployment rate held relatively steady. The statewide unemployment rate was 7.8%, compared to a 1993 rate of 7.6%. A change in the method of calculating Alaska's unemployment rate makes strict comparisons between 1994 and previous years' rates impossible. However, the small difference in the rates indicates little change in the unemployment picture for Alaskans during 1994. Since last year's rate was substantially below the 9.1% average recorded since 1978, it was a fairly good year for job seekers.

7,200 more jobs in 1994

On an annual basis, Alaska's economy added 7,200 jobs in 1994. (See Table 1.) The retail boom, a healthy construction sector, an expanding services industry, and solid contributions from most sectors of the economy boosted the state's wage and salary employment numbers.

However, the job gain was tempered by bad news in several sectors of the economy. For the third straight year, employment grew despite struggles in Alaska's resource-based industries. The mid-summer announcement that ARCO Alaska would lay off 750 employees rocked Alaska's oil industry. Late in the year, the timber industry was hit by another plant closure when the Wrangell sawmill shut its doors. Adding to the manufacturing industry's job losses was a slowdown in Western Alaska's seafood processing industry. Military downsizing also took its toll on Alaska's economy as troop drawdowns and base

closures reduced federal government employment.

Retailers ring up biggest job gain

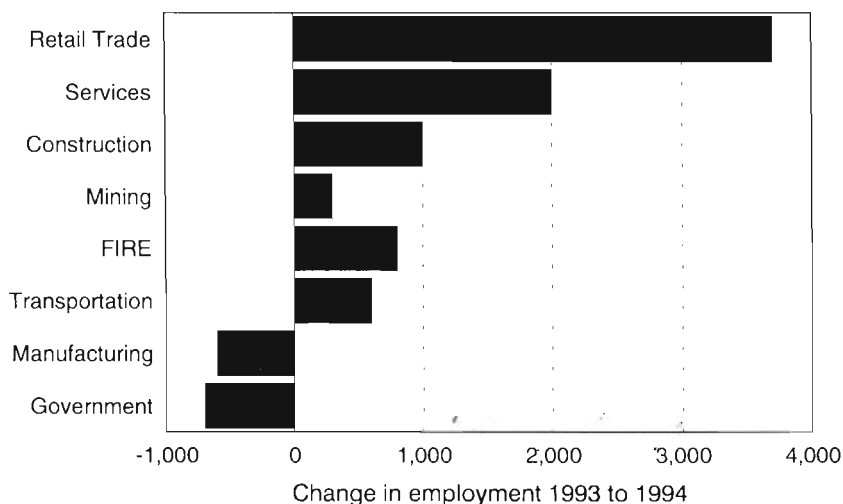
The biggest contributor to private-sector job growth in 1994 was retail trade. Propelled by general merchandise and apparel stores, growth in the retail sector of Alaska's economy exploded last year. (See Figure 1.) The nation's largest retailers, Kmart and Wal-Mart, inundated the Alaskan market with a flurry of store openings. Meanwhile, established firms like Carr's, Fred Meyer, Price-Costco and the Alaska Commercial Company expanded, positioning themselves to compete for a piece of Alaska's retail pie.

While remarkable employment gains in general merchandisers were an important factor in 1994's retail expansion, nearly every other type of Alaskan retailer grew in 1994.

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Figure • 1

Retail Led the Job Gains in 1994



Source: Alaska Department of Labor, Research & Analysis Section.

Change in Wage and Salary Employment 1993-1994

Alaska

	1993	1994	Change	Percent Change
Total Nonag. Wage & Salary	252,900	260,100	7,200	2.8
Goods-producing	39,000	39,600	600	1.5
Mining	10,300	10,600	300	2.9
Construction	11,500	12,500	1,000	8.7
Manufacturing	17,100	16,500	-600	-3.5
Durable Goods	3,100	3,100	0	0.0
Lumber & Wood Products	2,300	2,300	0	0.0
Nondurable Goods	14,000	13,400	-600	-4.3
Seafood Processing	10,600	10,200	-400	-3.8
Pulp Mills	800	500	-300	-37.5
Service-producing	213,900	220,500	6,600	3.1
Transportation	22,900	23,500	600	2.6
Trucking & Warehousing	2,900	3,000	100	3.4
Water Transportation	1,800	1,900	100	5.6
Air Transportation	7,400	7,600	200	2.7
Communications	3,700	3,800	100	2.7
Trade	49,000	53,000	4,000	8.2
Wholesale Trade	8,000	8,300	300	3.8
Retail Trade	41,000	44,700	3,700	9.0
Gen. Merch. & Apparel	7,100	9,000	1,900	26.8
Food Stores	7,000	7,200	200	2.9
Eating & Drinking Places	13,900	14,800	900	6.5
Finance-Ins. & Real Estate	11,200	12,000	800	7.1
Services & Misc.	56,200	58,200	2,000	3.6
Hotels & Lodging Places	5,600	6,300	700	12.5
Health Services	12,000	12,600	600	5.0
Government	74,600	73,900	-700	-0.9
Federal	20,000	18,900	-1,100	-5.5
State	21,500	21,600	100	0.5
Local	33,100	33,500	400	1.2

Municipality of Anchorage

	1993	1994	Change	Percent Change
Total Nonag. Wage & Salary	117,500	120,700	3,200	2.7
Goods-producing	11,500	11,900	400	3.5
Mining	3,400	3,300	-100	-2.9
Construction	6,200	6,600	400	6.5
Manufacturing	1,900	2,000	100	5.3
Service-producing	106,100	108,900	2,800	2.6
Transportation	12,400	12,700	300	2.4
Air Transportation	4,600	4,700	100	2.2
Communications	2,400	2,400	0	0.0
Trade	26,400	28,600	2,200	8.3
Wholesale Trade	5,800	6,100	300	5.2
Retail Trade	20,600	22,600	2,000	9.7
Gen. Merch. & Apparel	3,600	4,500	900	25.0
Food Stores	3,300	3,400	100	3.0
Eating & Drinking Places	7,200	7,700	500	6.9
Finance-Ins. & Real Estate	6,800	7,300	500	7.4
Services & Misc.	31,100	31,400	300	1.0
Hotels & Lodging Places	2,400	2,600	200	8.3
Health Services	6,300	6,400	100	1.6
Government	29,400	28,800	-600	-2.0
Federal	11,800	11,200	-600	-5.1
State	8,100	8,100	0	0.0
Local	9,400	9,500	100	1.1

Eating and drinking establishments had a banner year. Car dealers, building supply stores, furniture stores and gift shops also contributed to the retail job boom.

Services growth fueled by tourism, construction, health care

The second largest contributor to Alaskan job growth last year was services. Spurred by job additions in hotels and motels, health care facilities, business services, and membership organizations, the services sector added 2,000 jobs to the economy last year. Alaska's burgeoning tourism industry fueled hotel and motel employment growth. The biggest boost came when the Prince

Hotel at Alyeska resort opened in late summer. Business services growth was related to the strong construction year. Construction's good performance boosted firms renting and leasing construction equipment, security agencies, and temporary help agencies. Growth in Alaska's health care industry also was a major contributor to service industry job growth.

Solid year for construction

After leading the state's job growth in 1993, construction slipped back to the third position in 1994. Relatively low interest rates and strong housing demand helped the residential construction sector to another good

Change in Wage and Salary Employment 1993-1994

Southeast Region

	1993	1994	Change	Percent Change
Total Nonag. Wage & Salary	34,550	35,200	650	1.9
Goods-producing	6,100	5,850	-250	-4.1
Mining	150	150	0	0.0
Construction	1,550	1,550	0	0.0
Manufacturing	4,400	4,150	-250	-5.7
Durable Goods	1,850	1,800	-50	-2.7
Lumber & Woods Products	1,800	1,700	-100	-5.6
Nondurable Goods	2,550	2,350	-200	-7.8
Seafood Processing	1,550	1,650	100	6.5
Pulp Mills	750	500	-250	-33.3
Service-producing	28,450	29,350	900	3.2
Transportation	2,800	2,900	100	3.6
Trade	5,950	6,550	600	10.1
Wholesale Trade	550	550	0	0.0
Retail Trade	5,450	6,000	550	10.1
Finance-Ins. & Real Estate	1,300	1,450	150	11.5
Services & Misc.	5,900	6,200	300	5.1
Government	12,450	12,300	-150	-1.2
Federal	2,050	2,000	-50	-2.4
State	5,450	5,350	-100	-1.8
Local	4,950	4,950	0	0.0

Gulf Coast Region

	1993	1994	Change	Percent Change
Total Nonag. Wage & Salary	25,400	26,450	1,050	4.1
Goods-producing	6,550	6,850	300	4.6
Mining	1,100	1,000	-100	-9.1
Construction	1,050	1,200	150	14.3
Manufacturing	4,450	4,650	200	4.5
Seafood-Processing	3,200	3,450	250	7.8
Service-producing	18,850	19,650	800	4.2
Transportation	2,200	2,200	0	0.0
Trade	4,550	4,900	350	7.7
Wholesale Trade	600	650	50	8.3
Retail Trade	4,000	4,250	250	6.3
Finance-Ins. & Real Estate	650	700	50	7.7
Services & Misc.	4,950	5,300	350	7.1
Government	6,500	6,550	50	0.8
Federal	650	650	0	0.0
State	1,750	1,750	0	0.0
Local	4,050	4,150	100	2.5

Fairbanks North Star Borough

	1993	1994	Change	Percent Change
Total Nonag. Wage & Salary	29,550	30,700	1,150	3.9
Goods-producing	2,550	2,850	300	11.8
Mining	550	750	200	36.4
Construction	1,450	1,500	50	3.4
Manufacturing	550	550	0	0.0
Service-producing	27,000	27,850	850	3.1
Transportation	2,100	2,200	100	4.8
Trucking & Warehousing	450	500	50	11.1
Air Transportation	600	600	0	0.0
Communication	250	250	0	0.0
Trade	6,850	7,150	300	4.4
Wholesale Trade	800	800	0	0.0
Retail Trade	6,050	6,350	300	5.0
Gen. Merch. & Apparel	1,100	1,250	150	13.6
Food Stores	700	750	50	7.1
Eating & Drinking Places	2,450	2,500	50	2.0
Finance-Ins. & Real Estate	1,050	1,050	0	0.0
Services & Misc.	6,650	7,200	550	8.3
Government	10,400	10,300	-100	-1.0
Federal	3,250	3,100	-150	-4.6
State	4,250	4,350	100	2.4
Local	2,900	2,850	-50	-1.7

Southwest Region

	1993	1994	Change	Percent Change
Total Nonag. Wage & Salary	17,950	17,250	-700	-3.9
Goods-producing	6,100	5,350	-750	-12.3
Seafood-Processing	5,650	4,950	-700	-12.4
Service-producing	11,850	11,900	50	0.4
Government	6,150	5,800	-350	-5.7
Federal	1,150	900	-250	-21.7
State	500	500	0	0.0
Local	4,450	4,400	-50	-1.1

Northern Region

	1993	1994	Change	Percent Change
Total Nonag. Wage & Salary	14,650	15,600	950	6.5
Goods-producing	5,300	5,950	650	12.3
Mining	4,750	5,150	400	8.4
Service-producing	9,350	9,650	300	3.2
Government	4,500	4,750	250	5.6
Federal	200	250	50	25.0
State	350	350	0	0.0
Local	3,950	4,200	250	6.3

Notes: Subtotals may not add due to rounding.

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Source: Alaska Department of Labor, Research & Analysis Section.

year. The commercial construction frenzy of 1993 abated, but retained enough momentum to make a weighty contribution to industry job growth. Public-sector construction projects, a significant portion of them school buildings and health care facilities, also kept the construction work force busy.

Finance and transportation post gains

Related to the construction expansion, the state's financial sector had a good year in 1994. Refinancing and new loan activity kept mortgage bankers busy, and employment in the banking sector expanded to meet the demand. Alaska's Native corporations were another contributor to financial sector job growth. Expansion of Native-operated businesses and a big construction year for the regional housing authorities were instrumental in the financial industry employment gain.

The transportation sector posted 600 additional jobs in 1994. The employment gains were attributed to increased visitor industry activity and the growing international freight traffic routed through the state. Ground, air and water transportation firms all grew as boat charters, ground tours and flightseeing operations expanded. Air transportation, water transportation, and trucking firms benefited from increased freight traffic.

A turbulent year in the oil patch

Several factors contributed to a net loss of employment in the oil industry. The year opened with the lowest oil prices in many years. Promising prospects such as the Sunfish discovery in Cook Inlet proved disappointing. In a shake-up among Alaska's oil producers, British Petroleum bought out Conoco's interest on the North Slope and Marathon Oil and Unocal swapped some oil and gas properties. The biggest blow fell late in the year when ARCO, the state's largest oil industry employer, announced intentions to cut its work force of 2,500 by a third. This reduction, which represents the single largest oil industry loss in Alaska's history, began to show in October's employment figures.

Despite oil layoffs, mining held its own

Given the ARCO layoff and other consolidations in the oil industry, the biggest surprise in 1994's employment numbers was the strength of the mining industry. Oil and gas employment was pumped up for most of the year due to an inordinate amount of construction and maintenance work conducted by oil field service firms. Construction of the GHX-2 gas handling facility, combined with work on the Valdez terminal and the Trans-Alaska pipeline, offset the ARCO losses. When oil field services employment cooled off by the end of the year, the oil industry started showing notable employment losses.

Public sector posts job loss

Alaska's public sector lost 700 jobs last year as the effects of federal downsizing started to take hold. Cuts in defense-related federal government employment resulted in troop drawdowns and base closures at Alaskan military installations. Defense-related agencies weren't the only group that pared down last year. Many other federal agencies slimmed down as the process of reinventing federal government took its toll on prominent federal agencies like the Federal Aviation Administration, the Department of the Interior, and the Department of Agriculture.

In state and local government, employment crept ahead as a trend apparent the last several years continued. While noneducation employment at the local level has generally held steady, many school districts have been expanding in response to growing school-age populations. The result has been growth in education-related local government employment. The same trend is apparent on the state level with the University of Alaska only to a lesser degree.

Anchorage economy manages modest growth

The state's largest city posted a 2.7% growth rate, close to the state's rate of 2.8%. Like the statewide pattern, little of the job growth came from Anchorage's basic sector employ-

ers. Instead, retail trade and finance led job growth with construction placing a distant third.

Retailers charge ahead

The biggest year for retail in Anchorage's economic history may well have been 1994. Employment in this industry grew by 2,000 in 1994 as Anchorage became the latest battlefield for national and regional retailers, more than a half dozen of which opened their doors in late 1993 and early 1994. This unprecedented blitzkrieg of new retailers yielded three new Wal-Marts, two Kmart's, a Sam's Club, a Fred Meyer, a Sports Authority, and a Border Books.

No doubt some of this growth is temporary. Equivalent job growth in retail last occurred in 1982 driven by demands of a population burgeoning in response to the oil boom. In 1994 Anchorage's population and its economy were just inching ahead. By the end of the year signs of a shakedown appeared, suggesting that net job gains in retail will shrink.

The eating and drinking sector of retail trade also served up impressive growth. After four years of losses or stagnation, restaurant employment grew by 6.9%. Some of the same forces pushing other retail growth influenced this sector. Many of the discount retailers house fast food operations, and most of the new eateries fell in the low and medium price range which dovetails with Anchorage's new demographic trends. With income growth lagging and high wage jobs harder to find, residents are hungry for good discount meals.

Good year for the city's finance sector

Employment in Anchorage's financial sector grew at more than double the overall rate for the area. Though this industry employs relatively few people, it added 500 jobs in 1994, contributing the second largest number of jobs. Some of this surge spilled over from 1993 when low interest rates brought on a flood of refinancing and real estate market

activity. Beneficiaries included banks, mortgage companies, and appraisers. The financial industry received an additional boost when Alaska USA Federal Credit Union moved their member service center and over 100 jobs from Oak Harbor, Washington to Anchorage.

Another good year for construction

For the third year, construction employment in Anchorage rose with public sector activity more than offsetting losses in commercial and residential construction. Big public sector projects included the new Alaska Native Hospital, Federal Bureau of Investigation building, state court buildings, and school- and military-related construction. The decline in commercial activity coincided with the completion of new retail buildings in 1993 and early 1994. The city issued 858 new residential building permits in 1994, 336 shy of 1993's level.

Public sector shrinks in Anchorage

Public sector employment in Anchorage fell by 2.0% in 1994 for the first time since 1987. But unlike 1987, the present declines probably portend a long-term trend. All of the losses occurred in federal government as initiatives to pare its work force took effect. The cuts occurred across programs and were not concentrated in any one department. Anchorage also lost a sizable troop contingent in 1994. By the end of the year Fort Richardson troop levels dropped from 4,149 to approximately 2,100. State government employment levels remained flat while local government's nudged up 1.1%, or 100 jobs, due to increased school enrollment.

A resurgence of employment growth in Fairbanks

The Fairbanks economy gained 1,150 jobs during the year. (See Figure 2.) This employment growth of 3.9% more than doubled last year's 1.7%. While all private sector industries grew or remained flat, employment in the public sector declined.

During the first half of 1994, the construction of military housing, an elementary school, pipeline renovation, and several road projects kept the construction industry on par with 1993. The second part of the year lacked the usual sharp seasonal slowdown because of the Koyukuk flood reconstruction effort. Fairbanks' contractors remained on the job during winter to restore housing and public buildings in the flood devastated villages of Alatna, Allakaket, and Hughes. The extension of the construction season resulted in a job gain of almost 50 jobs.

Employment in retail trade added 300 jobs from the year before. This increase included the first full-year operation of Kmart, which opened in fall of 1993. Another good visitor season boosted retail trade as well. During the first three quarters of the year, hotel and motel room receipts rose \$2.1 million, a 9.9% jump, from last year. Service workers benefited from the busy tourist season with over 300 more jobs in the hotel industry.

Government downsizing cost Fairbanks 100 public sector jobs. Federal employment, especially civilian military, declined by 150 jobs. This drop corresponded to a 5.7% reduction of military personnel and dependents

over the year. Responding to the squeeze on public funds, Fairbanks' local government also cut positions. Only state employment recorded an increase with 100 new jobs mainly due to additional part-time student employment at the University.

Gulf Coast posts above average growth

Like Fairbanks, the pace of the Gulf Coast economy quickened in 1994. Employment grew 4.1% or 1,050 jobs. (See Figure 2.) Most industries added jobs except for the oil and gas industry which registered a loss of 100 workers. Production declines at aging oil fields in Cook Inlet and organizational changes within the industry trimmed this work force in 1994.

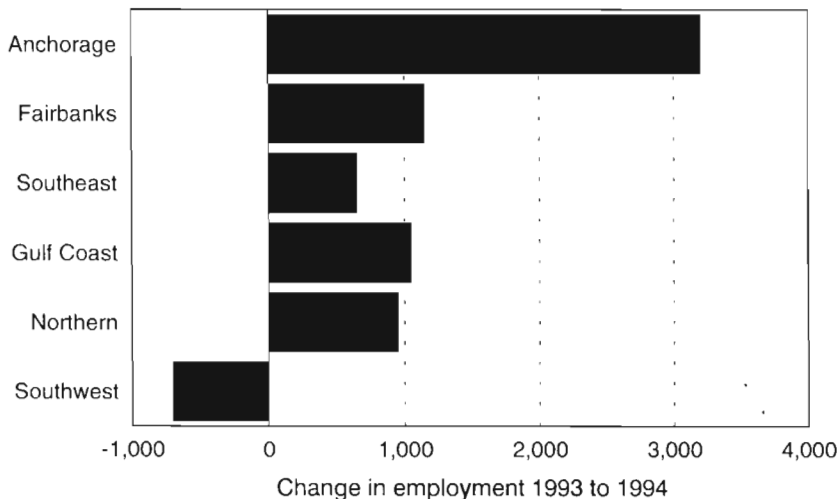
As in Anchorage, retail trade generated many new jobs in this region. The Kenai-Soldotna area emerged as an important retail center, ranking third in the state after Anchorage and Fairbanks. Not only did Fred Meyer's first full year of operation push retail employment upward, but many national fast-food franchises also opened in this area. Alaska Commercial Company returned to Kodiak when it purchased Kraft's.

Construction fared well throughout the Gulf Region. Kodiak's construction industry was especially busy. Projects included construction of the Alutiiq Cultural Center, an \$18.5 million hospital expansion, road projects, school renovation, phase one of a new elementary school, and a fishmeal plant.

After a slow start, the fishing season gained momentum as the year progressed. The herring fishery in Prince William Sound was closed for the second year in a row but an abundant harvest in Kodiak made up for some of these losses. The overall salmon harvest rose in 1994. Cook Inlet fishers netted an average number of fish, and Kodiak's harvest fell short of last year's catch, but record pink salmon runs were harvested in Prince William Sound. With prices up for herring, salmon, and halibut most fishers recorded a good season. Because of the voluminous harvest, employment in fish processing rose by 250 jobs.

Figure • 2

Most Regions Enjoyed Job Gains in 1994



Source: Alaska Department of Labor, Research & Analysis Section.

The Northern region races ahead

Stimulated by the oil industry, the Northern region led all areas in employment growth with a robust 6.5% rate. Construction and oil field service companies enjoyed a good year because of the construction of the GHX-2 project, a gas-handling facility. This project and the pipeline renovation generated 650 jobs in 1994.

The public sector, mainly at the local level, created about 250 jobs during 1994. The North Slope Borough expanded services and funded a community college, emphasizing vocational training. The school district also added employment, but largely on a part-time basis.

The Southwest region loses employment again

For the second year in a row, Southwest Alaska's economy lost employment. Once again most job losses were in the seafood processing industry, followed by a significant decline of public sector jobs. This year's employment losses totaled 700 jobs. (See Figure 2.)

The region's fisheries contained minuses and pluses. Crab fishers, after an optimistic start in January, lost out on king crab with the closure of the Bristol Bay fishery in early fall. The fall tanner crab harvest quota allowed only half of last year's catch. The ground fishery, troubled with by-catch tolerance limits, fluctuated up and down with short seasons and tightly managed quotas. The bright spot was Bristol Bay's salmon harvest. Fishers delivered the third largest catch of red salmon with prices climbing above last year's. However, the short salmon season could not keep processing crews busy long enough to prevent a drop in employment.

The 1993-94 reduction of military personnel on Adak, Attu and Eareckson Air Force Base caused big job losses at both the federal and local government levels. The departure of military dependents from Adak, for example, closed down the base school and the

community lost almost 100 school district jobs.

In spite of the net job loss the region's economy remained relatively strong. The reason for this paradox lies in the resident/nonresident labor market. The mostly nonresident fish processing labor force was hit hard, while the resident labor market improved with new jobs in retail trade and services.

Declines in seafood processing and government jobs masked growth in many service-related industries. Health services gained 250 payroll jobs throughout the Southwest region. The opening of an Eagle grocery store and Alaska Commercial Company's new store in Unalaska helped increase retail trade employment 5.7%. New bank branches in Unalaska raised employment in the finance industry. After years as the number one seafood port in the nation, Unalaska continued to play catchup in its secondary economy.

Southeast struggles to keep up

In Southeast, employment grew at a slower rate than statewide. Gains in service-related industries offset losses in goods-producing and government for a growth rate slightly under 2%.

Retail trade again led the job producing sectors with a gain of over 500 jobs. New Price-Costco, Mapco and Kmart stores boosted employment in Juneau, while in other communities increases in eating and drinking places fed growth.

Another year of record tourist visits and expansion in health care helped create 300 new service jobs. The apparent growth in financial services resulted from Native corporation activity which is classified in this sector. Factors influencing this employment included increased tourist trade in Ketchikan and smokery and canning development in Kake. In addition, the Tlingit Haida Regional Housing Authority reported grant funding which allowed for additional hiring for repair work in villages.

In seafood processing, a strong salmon season spawned a 6.5% increase in employment. Employment in most other goods-producing categories was down or unchanged from 1993. Pulp mill employment dropped precipitously, reflecting the closure of Alaska Lumber & Pulp's mill in Sitka in October 1993. The number of jobs in this industry fell one-third (250) from the prior year. Lumber and wood products employment also dropped, partly due to the Wrangell sawmill closure in November, while employment levels in mining remained at year ago levels. In construction, a lack of highway and street projects countered an overall increase in building permit activity to keep employment from following the statewide growth trend. Uncertainty preceding the capitol move vote in November also inhibited growth.

Government employment slipped with losses at the federal and state levels. Local government levels held steady.

Despite setbacks, economy posts job gains in 1994

In 1994 Alaska's economy grew at a moderate 2.8% pace. A retail expansion, growth in services, a strong construction year, and a booming tourism industry all significantly contributed to economic growth. Layoffs in Alaska's oil industry, the closure of another wood processing facility in Southeast Alaska and job losses associated with Alaska's struggling shellfish industry tempered the state's job growth.

Regionally, growth was somewhat balanced. Northern Alaska and the Gulf Coast region were among the faster growing areas of the state, while Southwest Alaska brought up the rear. Accompanying the job growth was relatively stable unemployment. On balance, 1994 was a good year for Alaska's economy, although the state's resource-based industries continued to struggle.